

**MEDICAL CENTER OF LOUISIANA FOUNDATION**

**NEW ORLEANS, LOUISIANA**

**FINANCIAL STATEMENTS**

**AS OF AND FOR THE YEARS ENDED**

**JUNE 30, 2013 AND 2012**

**ERICKSEN KRENTEL & LAPORTE L.L.P.**

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J.V. LECLERE KRENTEL - DECEASED

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees of  
Medical Center of Louisiana Foundation  
New Orleans, Louisiana

We have audited the accompanying financial statements of Medical Center of Louisiana Foundation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Trustees of  
Medical Center of Louisiana Foundation  
New Orleans, Louisiana  
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### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Medical Center of Louisiana Foundation as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2013, on our consideration of Medical Center of Louisiana Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Medical Center of Louisiana Foundation's internal control over financial reporting and compliance.

New Orleans, Louisiana  
November 25, 2013

*Ericksen, Krentel & LaPorte LLP*

Certified Public Accountants

**MEDICAL CENTER OF LOUISIANA FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**  
JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<b><u>ASSETS:</u></b>		
Cash and cash equivalents	\$ 612,460	\$ 1,486,375
Cash held for agencies	81,479	164,434
Other receivable	60	26,324
Interest receivable	3,383	-
Prepaid expenses	2,516	1,070
Investments	707,150	-
Equipment, net of accumulated depreciation	<u>289</u>	<u>670</u>
 Total assets	 <u>\$ 1,407,337</u>	 <u>\$ 1,678,873</u>
 <b><u>LIABILITIES:</u></b>		
Accounts payable	\$ 13,128	\$ 1,475
Deferred revenue	7,500	-
Funds held for agencies	<u>81,479</u>	<u>164,434</u>
 Total liabilities	 <u>102,107</u>	 <u>165,909</u>
 <b><u>NET ASSETS:</u></b>		
Unrestricted	905,234	1,010,982
Temporarily restricted	<u>399,996</u>	<u>501,982</u>
 Total net assets	 <u>1,305,230</u>	 <u>1,512,964</u>
 Total liabilities and net assets	 <u>\$ 1,407,337</u>	 <u>\$ 1,678,873</u>

See accompanying NOTES TO FINANCIAL STATEMENTS



**MEDICAL CENTER OF LOUISIANA FOUNDATION**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	Unrestricted	Temporarily Restricted	Total
<b><u>REVENUES, GAINS AND OTHER SUPPORT:</u></b>			
Contributions	\$ 11,804	\$ 3,500	\$ 15,304
Grant revenue	7,593	2,100	9,693
Registration income	36,963	-	36,963
Fund-raising income	52,616	-	52,616
Interest income	22,093	-	22,093
Net realized and unrealized gains (losses) on investments	(21,904)	-	(21,904)
Other income	2,604	-	2,604
	<u>111,769</u>	<u>5,600</u>	<u>117,369</u>
Total revenue			
	<u>111,769</u>	<u>5,600</u>	<u>117,369</u>
Net assets released from restrictions	107,586	(107,586)	-
	<u>107,586</u>	<u>(107,586)</u>	<u>-</u>
Total revenues, gains and other support	219,355	(101,986)	117,369
	<u>219,355</u>	<u>(101,986)</u>	<u>117,369</u>
<b><u>EXPENSES:</u></b>			
Program services	231,279	-	231,279
Supporting services:			
Fund-raising	17,564	-	17,564
Management and general	76,260	-	76,260
	<u>325,103</u>	<u>-</u>	<u>325,103</u>
Total expenses			
	<u>325,103</u>	<u>-</u>	<u>325,103</u>
Change in net assets	(105,748)	(101,986)	(207,734)
	<u>(105,748)</u>	<u>(101,986)</u>	<u>(207,734)</u>
Net assets, beginning of year, as restated	1,010,982	501,982	1,512,964
	<u>1,010,982</u>	<u>501,982</u>	<u>1,512,964</u>
Net assets, end of year	\$ 905,234	\$ 399,996	\$ 1,305,230
	<u>\$ 905,234</u>	<u>\$ 399,996</u>	<u>\$ 1,305,230</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

**MEDICAL CENTER OF LOUISIANA FOUNDATION**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Unrestricted	Temporarily Restricted	Total
<b><u>REVENUES, GAINS AND OTHER SUPPORT:</u></b>			
Contributions	\$ 6,695	\$ 557	\$ 7,252
Grant revenue	21,529	62,500	84,029
Registration income	45,900	-	45,900
Fund-raising income	85,743	-	85,743
Interest income	15,754	-	15,754
Net realized and unrealized gains (losses) on investments	-	-	-
Other income	942	-	942
	<u>176,563</u>	<u>63,057</u>	<u>239,620</u>
Total revenue			
Net assets released from restrictions	40,248	(40,248)	-
	<u>216,811</u>	<u>22,809</u>	<u>239,620</u>
Total revenues, gains and other support			
<b><u>EXPENSES:</u></b>			
Program services	154,808	-	154,808
Supporting services:			
Fund-raising	26,280	-	26,280
Management and general	70,417	-	70,417
	<u>251,505</u>	<u>-</u>	<u>251,505</u>
Total expenses			
Change in net assets	(34,694)	22,809	(11,885)
Net assets, beginning of year, as restated	1,045,676	479,173	1,524,849
Net assets, end of year	<u>\$ 1,010,982</u>	<u>\$ 501,982</u>	<u>\$ 1,512,964</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

**MEDICAL CENTER OF LOUISIANA FOUNDATION**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b><u>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:</u></b>		
Change in net assets	\$ (207,734)	\$ (11,885)
Adjustments to reconcile change in net assets to net cash from (used in) operating activities:		
Depreciation	381	381
Investment income	(12,433)	-
Realized (gain) on investments	(741)	-
Unrealized loss on investments	22,645	-
(Increase) decrease in:		
Grants receivable	-	1,877
Interest receivable	(3,383)	-
Other receivable	26,264	(18,152)
Prepaid expenses	(1,446)	2,930
Increase (decrease) in:		
Accounts payable	11,653	(364)
Deferred revenue	<u>7,500</u>	<u>-</u>
Net cash (used in) operating activities	<u>(157,294)</u>	<u>(25,213)</u>
<b><u>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:</u></b>		
Proceeds from sale of investments	275,057	-
Purchase of investments	<u>(991,678)</u>	<u>-</u>
Net cash (used in) investing activities	<u>(716,621)</u>	<u>-</u>
Net (decrease) in cash and cash equivalents	(873,915)	(25,213)
Cash and cash equivalents, beginning of year	<u>1,486,375</u>	<u>1,511,588</u>
Cash and cash equivalents, end of year	<u><u>\$ 612,460</u></u>	<u><u>\$ 1,486,375</u></u>

See accompanying NOTES TO FINANCIAL STATEMENTS



**MEDICAL CENTER OF LOUISIANA FOUNDATION**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	Program Services	Supporting Services		Total
		Fund-raising	Management and General	
Awards and gifts	\$ 11,168	\$ -	\$ 567	\$ 11,735
Bad debt expense	-	-	225	225
Books expense	2,010	-	-	2,010
Contract labor	1,500	-	-	1,500
Depreciaton	-	-	381	381
Donations made	15,687	-	-	15,687
Dues and subscriptions	-	-	-	-
Equipment contributions	92,303	-	-	92,303
Event expenses	-	17,564	-	17,564
Insurance	-	-	4,698	4,698
Meals	12,859	-	1,825	14,684
Medical supplies	7,260	-	-	7,260
Miscellaneous expense	2,259	-	2,933	5,192
Office expenses	2,815	-	823	3,638
Postage	638	-	57	695
Professional fees	27,599	-	10,006	37,605
Rent	-	-	-	-
Training and seminars	32,337	-	-	32,337
Travel	21,784	-	-	21,784
Utilities	1,060	-	-	1,060
Wages and related expenses	-	-	54,745	54,745
Total expenses	<u>\$ 231,279</u>	<u>\$ 17,564</u>	<u>\$ 76,260</u>	<u>\$ 325,103</u>

**MEDICAL CENTER OF LOUISIANA FOUNDATION**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2012**

		<u>Supporting Services</u>		
	<u>Program Services</u>	<u>Fund-raising</u>	<u>Management and General</u>	<u>Total</u>
Awards and gifts	\$ 2,817	\$ -	\$ 915	\$ 3,732
Bad debt expense	-	-	-	-
Books expense	7,159	-	-	7,159
Contract labor	455	-	-	455
Depreciation	-	-	381	381
Donations made	24,041	-	-	24,041
Dues and subscriptions	65	-	-	65
Equipment contributions	817	-	-	817
Event expenses	-	26,280	-	26,280
Insurance	-	-	2,405	2,405
Meals	23,341	-	2,050	25,391
Medical supplies	4,365	-	-	4,365
Miscellaneous expense	1,362	-	1,128	2,490
Office expenses	7,045	-	925	7,970
Postage	500	-	335	835
Professional fees	26,495	-	10,531	37,026
Rent	1,200	-	-	1,200
Training and seminars	41,003	-	269	41,272
Travel	12,389	-	-	12,389
Utilities	1,754	-	-	1,754
Wages and related expenses	-	-	51,478	51,478
 Total expenses	 \$ 154,808	 \$ 26,280	 \$ 70,417	 \$ 251,505

**MEDICAL CENTER OF LOUISIANA FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

**(1) NATURE OF OPERATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

The Medical Center of Louisiana Foundation (the Foundation) was incorporated in November 1993. The Foundation was originally known as The University Hospital Foundation, and has its purpose to support and improve patient care within the Medical Center of Louisiana New Orleans (MCLNO) hospitals and clinics including the Interim LSU Public Hospital and the Spirit of Charity Trauma Center. This includes assisting the family's comfort while visiting with their love one, promoting education of the members of the MCLNO provider team, facilitating medical center committees, and enhancing fund-raising efforts and research.

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities. In-kind contributions are recognized at the fair market value when received.

**Financial Statement Presentation**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) 958-210-50-3, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958-210-50-3, the Foundations are required to report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met by actions of the Foundation and/or the passage of time.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled and removed by actions of the Foundation pursuant to those stipulations. The Foundation has no permanently restricted net assets.

**MEDICAL CENTER OF LOUISIANA FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

**(1) NATURE OF OPERATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments**

Investments, consisting of government and agency securities and corporate bonds, are recorded at fair value. Unrealized gains and losses on investments with readily available market values are recorded in the statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or law. Dividend, interest, and other investment income is recorded as increases in unrestricted net assets unless the use is restricted by the donor. Donated investments are recorded at fair value at the date of receipt.

FASB ASC topic 820, *Fair Value Measurements and Disclosures* emphasizes market-based measurement and, in doing so, stipulates a fair value hierarchy. The hierarchy is based on the type of inputs, or data used, to measure fair value. The fair value hierarchy is summarized below:

Level 1 lies at the top of the hierarchy, where inputs are quoted prices in active markets.

Level 2 inputs are in the middle of the hierarchy, where data are adjusted from similar items traded in markets that are active markets or from identical or similar items in markets that are not active. Level 2 inputs do not stem directly from quoted prices.

Level 3 inputs are unobservable and generated by the entity itself.

No Level 2 or Level 3 inputs were used by the Foundation.

**Equipment**

Items capitalized as part of equipment are valued at cost. Normal repairs and maintenance are charged to expense when incurred. Expenditures which materially extend the useful lives of capital assets are capitalized.

**Depreciation**

Depreciation is computed using the straight-line method over estimated useful lives as follows:

Computer equipment	3-5 years
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Depreciation expense for the years ended June 30, 2013 and 2012 were \$381 and \$381, respectively.

**MEDICAL CENTER OF LOUISIANA FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

**(1) NATURE OF OPERATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Restricted and Unrestricted Revenue**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Foundations considers all highly liquid debt instruments purchased with an original maturity of three months or less and all certificates of deposit to be cash equivalents.

**Contributed Services**

During the years ended June 30, 2013 and 2012, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

**Concentration of Credit Risk**

The Foundation maintains its cash and cash equivalents in various financial institutions in Louisiana. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The balances, at times, may exceed federally insured limits. At June 30, 2013 and 2012, the Foundation had \$9,114 and \$0 in uninsured cash, respectively.

**Tax Status**

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and from state income tax under Section 121(5) of Title 47 of the Louisiana Revised Statutes. Based upon the amount of its investment income and the comparison of its public support, the Foundation qualifies for non-private foundation status under Section 509(a)(2) of the Internal Revenue Code; therefore, the Foundation's tax-exempt status extends to its net investment income.

**MEDICAL CENTER OF LOUISIANA FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

**(1) NATURE OF OPERATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Tax Status (continued)**

FASB ASC 740-10-et al prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken, or expected to be taken, in a tax return. FASB ASC 740-10-et al requires the affirmative evaluation that is more likely-than-not, based on the technical merits of a tax position, that an enterprise is entitled to economic benefits resulting from positions taken in income tax returns. If a tax position does not meet the more-likely-than-not recognition threshold, the benefit of that position is not recognized in the financial statements. FASB ASC 740-10-et al also requires the Foundation to disclose additional quantitative and qualitative information in their financial statements about uncertain tax positions.

The Foundation's evaluation as of June 30, 2013 revealed no tax positions that would have a material impact on the financial statements. The 2009 through 2012 tax years remain subject to examination by the IRS. The Foundation does not believe that any reasonably possible changes will occur within the next twelve months that will have a material impact on the financial statements.

**Functional Expenses**

Expenses are charged to each program based on direct expenditures incurred. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

**Subsequent Events**

Subsequent events have been evaluated through November 25, 2013, which is the date the financial statements were available to be issued.

**Concentration of Grant Revenue**

Approximately 40% and 30% of the Foundation's funding is provided from the Spirit of Charity fundraiser for the years ended June 30, 2013 and 2012, respectively.

Approximately 22% of the Foundation's funding is provided from the Charles & Elizabeth Wetmore Foundation grant for the year ended June 30, 2012.



**MEDICAL CENTER OF LOUISIANA FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

**(2) INVESTMENTS**

The fair value of investments are determined by reference to quoted prices in active markets for identical assets (Level 1).

The fair value of investments are summarized as follows at June 30:

Unrestricted:	<u>2013</u>		<u>2012</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Corporate bonds	\$ 409,964	\$ 403,807	-	-
Government securities and other agencies	<u>309,355</u>	<u>303,343</u>	<u>-</u>	<u>-</u>
Total unrestricted Investments	<u>\$ 719,319</u>	<u>\$ 707,150</u>	<u>\$ -</u>	<u>\$ -</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended December 31:

	<u>2013</u>	<u>2012</u>
Dividends and interest	\$ 15,816	\$ -
Net gain (loss) on sale of investments	741	-
Management fees	(2,693)	-
Net unrealized gain (loss) in value of investments	<u>(22,645)</u>	<u>-</u>
Total return on investments	<u>\$ (8,781)</u>	<u>\$ -</u>

**(3) FUNDS HELD FOR AGENCIES**

At June 30, 2013 and 2012, the Foundation held \$81,479 and \$164,434, of funds for the Trauma department and for the Charity Hospital Medical Staff. The financial effects of transactions related to agency funds are recorded as changes in funds held for agencies and are not included in the statements of activities. The changes in the funds held for agencies are summarized as follows:

	<u>2013</u>	<u>2012</u>
Agency funds received	\$ 4,309	\$ 29,170
Distributions to agencies	<u>(87,264)</u>	<u>(237,835)</u>
Change in balance	(82,955)	(208,665)
Beginning balance	<u>164,434</u>	<u>373,099</u>
Ending balance	<u>\$ 81,479</u>	<u>\$ 164,434</u>

**MEDICAL CENTER OF LOUISIANA FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

**(4) RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets at June 30, 2013 and 2012 include:

	<u>2013</u>	<u>2012</u>
MCMD/MOTT/ELD Clinic Program	\$ 52,000	\$ 52,000
Reach Out and Read	36,969	62,397
Telemedicine and Health Management Program	224,477	301,035
Patient Education Units	<u>86,550</u>	<u>86,550</u>
Total temporarily restricted net assets	<u>\$ 399,996</u>	<u>\$ 501,982</u>

**(5) THEFT LOSS**

During the years ended June 30, 2008 and 2009, a theft occurred resulting in a loss to the Foundation of \$219,556. The Foundation hired forensic accountants and legal experts to reclaim these losses and has provided the FBI with documentation to seek federal prosecution. The Foundation has been reimbursed \$67,246 of these funds.

On March 24, 2011, the statutory employee was sentenced in a federal court to 24 months in prison; the accomplice was sentenced to 18 months in prison to be followed by six months of home confinement. Both defendants were ordered to serve three years supervised release following imprisonment during which time they will be under federal supervision and risk additional imprisonment should the terms of the supervision be violated. In addition, both defendants were ordered to pay restitution to the Foundation in the amount of \$256,240. For the year ended June 30, 2013, the Foundation received \$412 in restitution payments. Due to the collectability issues surrounding the restitution, the Foundation has not recorded a receivable or revenue on the financial statements.

The Foundation has implemented strict management policies and procedures to safeguard against similar incidents.

**(6) PRIOR PERIOD ADJUSTMENT**

During the year, management discovered that temporarily restricted funds received in 2006 were not properly classified as temporarily restricted net assets in the financial statements. The statements of financial position and activities for the year ended June 30, 2012 have been restated to correct this error. As a result of this restatement, unrestricted net assets decreased and temporarily restricted net assets increased by \$301,035.

# ERICKSEN KRENTEL & LA PORTE L.L.P.

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## **INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Trustees of  
Medical Center of Louisiana Foundation  
New Orleans, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Medical Center of Louisiana Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 25, 2013.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Medical Center of Louisiana Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Medical Center of Louisiana Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2013-01 to be a material weakness.



To the Board of Trustees of  
Medical Center of Louisiana Foundation  
November 25, 2013  
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A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as item 2013-02 to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Medical Center of Louisiana Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2013-03.

### **Medical Center of Louisiana Foundation's Response to Findings**

Medical Center of Louisiana Foundation's response to findings identified in our audit is described in the accompanying schedule of findings and responses. The organization responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

New Orleans, Louisiana  
November 25, 2013

*Erickson, Krentel & LaPorte LLP*

Certified Public Accountants

**MEDICAL CENTER OF LOUISIANA FOUNDATION**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**SECTION I SUMMARY OF AUDITORS' REPORTS**

1. The auditors' report expresses an unqualified opinion on the financial statements of Medical Center of Louisiana Foundation
2. One significant deficiency and one material weakness disclosed during the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Prepared in Accordance with *Government Auditing Standards*.
3. One instance of noncompliance material to the financial statements of Medical Center of Louisiana Foundation, which would be required to be reported in accordance with *Government Auditing Standards*, was disclosed during the audit.
4. No management letter was issued for the year ended June 30, 2013.

**SECTION II FINANCIAL STATEMENT FINDINGS**

**2013-01 Restricted Revenue Recorded as Unrestricted**

Criteria: Under FASB ASC 958-210-50-3, Foundations are required to report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Donor-imposed stipulations that may or will be met by actions of the Foundation should be reported as temporarily restricted net assets.

Condition: During the year, management discovered the Foundation never reflected temporarily restricted income received in 2006 as temporarily restricted net assets but recorded the income as unrestricted.

Effect: The effect is an understatement of temporarily restricted net assets and an overstatement of unrestricted net assets.

Cause: Although the Foundation staff kept track of the activity for the restricted funds in an excel file, the restriction was never communicated to the audit team.

Recommendation: We recommend the Foundation review all temporarily restricted funds each year to determine all funds are properly included as temporarily restricted.

Management's Response: Going forward management will review the temporarily restricted schedule to determine all items are included.

**MEDICAL CENTER OF LOUISIANA FOUNDATION**  
**SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**2013-02 Unrecorded Investment Activity**

Criteria: All interest and dividend income generated by the investment account and all realized and unrealized gains and losses for the Medical Center of Louisiana Foundation should be recorded in the period in which the activity occurred.

Condition: During testing, it was discovered that investment activity had not been recorded.

Effect: Interest and dividend income, realized gains and losses, and unrealized gains and losses were not properly recorded in the current period.

Cause: Foundation personnel failed to timely record investment activity.

Recommendation: We recommend the Foundation record investment account activity monthly.

Management's Response: All investment activity will be reconciled on a monthly bases going forward.

**2013-03 Unfiled Form 941s**

Criteria: The Internal Revenue Service requires all employers to file the Form 941 quarterly.

Condition: During testing, it was discovered that the Form 941 was not filed for the fourth quarter in 2012 and the first two quarters in 2013.

Effect: The Form 941 was not filed with the Internal Revenue Service quarterly as required.

Cause: The Foundation failed to timely file the Form 941s.

Recommendation: We recommend the Foundation immediately file the aforementioned Form 941s and establish procedures to ensure the timely filing of all federal tax returns.

Management's Response: The reports have been filed and the Foundation is now up to date. Management has added a 'calendar email notification' as a reminder to file all reports timely.



**MEDICAL CENTER OF LOUISIANA FOUNDATION**  
**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**SECTION III MANAGEMENT LETTER ITEMS**

**2012-01 Loans to Employee**

The Foundation loaned \$1,000 to an employee. The check request form was not approved by the CFO of the LSU Health Care Services Division (an affiliate) as is normal policy but approved and signed by the Executive Director. The money was subsequently repaid to the Foundation. Pursuant to IRS regulations, a 501(c)3 organization may not benefit the private interest of any individual. Non-profit organizations are permitted to operate efficiently and duly compensate employees; however, providing excessive salaries and benefits above and beyond the prevailing amount may result in fines or jeopardize 501(c)3 status. Although the amount of the loan was immaterial and it was subsequently repaid, we recommend the Foundation avoid this activity in the future. We also recommend that all check requests are brought to the CFO for proper approval prior to being provided to the Executive Director for check signature.

This matter has been resolved.

**2012-02 Close Restricted Cash Account**

The Foundation still maintains a bank account for a Robert Wood Johnson Grant. The grant term has ended and the bank account is no longer required. Since this grant has ended, we recommend closing the restricted cash account and transferring the remaining balance of \$15,413 to the general checking account.

This matter has been resolved.



# Medical Center of Louisiana Foundation

~Supporting the mission of Charity Hospital through Interim LSU Public Hospital and the new University Medical Center~

Everett Williams, PhD  
*President*

Evangeline Vavrick, JD  
*Secretary/Treasurer*

Peter DeBlieux, MD  
*Executive Director*

Juzar Ali, MD  
*Ex Officio*

Warren Bell, Jr.  
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Gerald Berenson, MD  
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Ann Cary, PhD

Damon Dietrich, MD  
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Paul Friedlander, MD  
D. Luke Glancy, MD

L. Lee Hamm, III, MD  
Frank Incaprera, MD

Neal Kling

Sally Knight, DrPH

Martha Leshine

Norman McSwain, MD

Kristine Muntan

Perry Rigby, MD

Elliott Roberts

Gene Sausse, Jr.

Malcolm Schwarzenbach

Jack Strong, MD

Jessica Waguespack

Harold Weis

Stacy Gerhold-Marvin  
*Foundation Coordinator*

## CORRECTIVE ACTION PLAN

November 25, 2013

Louisiana Legislative Auditor

Medical Center of Louisiana Foundation (Foundation) respectfully submits the following corrective action plan for the year ended June 30, 2013.

Name and address of independent public accounting firm:

Ericksen, Krentel & LaPorte, L.L.P.  
4227 Canal Street  
New Orleans, Louisiana 70119  
Contact: W. Eric Powers, CPA

Audit Period: 07/01/12 to 6/30/13

The findings from the June 30, 2013 report on internal controls are discussed below. The findings are numbered consistently with the number assigned in the schedule of findings and responses.

### 2013-01 Restricted Revenue Recorded as Unrestricted

Recommendation: The Foundation should review all temporarily restricted funds each year to determine all funds are properly included as temporarily restricted.

Response: Going forward management will review the temporarily restricted schedule to determine all items are included.

### 2013-02 Unrecorded Investment Activity

Recommendation: To report investment activity in the correct period, we recommend that the Foundation record investment activity on a monthly basis.

Response: All investment activity will be reconciled on a monthly bases going forward.



# Medical Center of Louisiana Foundation

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Louisiana Legislative Auditor

November 25, 2013

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*Foundation Coordinator*

## 2013-03 Unfiled 941s

Recommendation: Because the Internal Revenue Service requires that all Form 941s are filed quarterly, we recommend that the Foundation establish procedures to ensure the timely filing of all federal tax returns.

Response: The reports have been filed and the Foundation is now up to date. Management has added a 'calendar email notification' as a reminder to file all reports timely.

If there are any questions regarding this plan, please call Stacy Gerhold-Marvin at (504) 903-1823.

Sincerely,

Signature

Title

*Executive Director*